

AR79



1967 ANNUAL REPORT

YEAR ENDED FEBRUARY 28

Canadian Canners Limited

Lee P



CANADIAN CANNERS LIMITED

DIRECTORS

WM. HERBERT CARR - - - - - San Francisco, California
J. E. COUNTRYMAN - - - - - San Francisco, California
L. M. CRANDALL - - - - - Pembroke, Ontario
W. I. DRYNAN - - - - - Hamilton, Ontario
A. W. EAMES, JR. - - - - - San Francisco, California
G. ARNOLD HART - - - - - Montreal, Quebec
L. H. JOHNSTON - - - - - Hamilton, Ontario
R. M. MAPP - - - - - Hamilton, Ontario
A. L. NELSON - - - - - Hamilton, Ontario
LEONARD A. PHILIP - - - - - Toronto, Ontario
W. S. SEWELL, Q.C. - - - - - Toronto, Ontario
R. B. YERBY, JR. - - - - - San Francisco, California

OFFICERS

J. E. COUNTRYMAN - - - - - Chairman of the Board
W. I. DRYNAN - - - - - Vice-Chairman of the Board
L. H. JOHNSTON - - - - - President and Chief Executive Officer
R. M. MAPP - - - - - Vice-President Marketing
A. L. NELSON - - - - - Vice-President Production
T. V. MCGINN - - - - - Secretary-Treasurer
R. FOX - - - - - Controller
A. L. CROCE - - - - - Assistant Secretary
D. W. MUNN - - - - - Assistant Secretary

HEAD OFFICE

44 Hughson Street South, Hamilton, Ontario

SUBSIDIARY COMPANIES

AYLMER FOODS WAREHOUSING LIMITED
BOESE FOODS LIMITED
CANNERS MACHINERY LIMITED
THE PYRAMID CANNERS LIMITED
WAGSTAFFE LIMITED
WALMER TRANSPORT COMPANY LIMITED

REGISTRAR AND TRANSFER AGENTS

Royal Trust Company, Toronto and Montreal

TRUSTEE FOR DEBENTURE HOLDERS

Canada Permanent Trust Company

AUDITORS

Price Waterhouse & Co.

ANNUAL MEETING

June 16, 1967, 2:15 p.m. (E.D.S.T.), Head Office

FINANCIAL HIGHLIGHTS

	1967	1966	1965	1964	1963
Sales	\$52,251	\$50,568	\$47,954	\$43,243	\$40,244
Earnings (1)	2,108	2,156	2,112	1,781	614
Earnings Per Share *(2)	1.50	1.54	1.50	1.27	.44
Dividends Per Share *(3)75	.75	.75	.75	.75
Working Capital	16,935	16,500	15,887	15,748	14,626
Inventories	24,942	22,107	19,755	17,896	18,006
Capital Expenditures	2,039	2,097	1,333	1,187	1,214
Earnings Retained and Used in Business	24,857	23,101	21,296	19,536	18,106
Shareholders' Equity	31,154	29,397	27,593	25,832	24,402
Number of Shareholders *	3,456	3,488	3,649	3,750	3,873

Figures in thousands except where designated by *

(1) 1967 Earnings include \$492,003 (35¢ per share) gain on sale of properties.

(2) Class A and Class B Common Shares combined.

(3) Class A only. See note 2 to "Notes to Financial Statements".

DIRECTORS' REPORT TO SHAREHOLDERS AND EMPLOYEES

Earnings for the year ended February 28, 1967 amounted to \$2,107,645 or \$1.50 per class A and B common share compared with \$2,155,886 or \$1.54 per class A and B common share in the preceding year. The earnings for the current year include a profit of \$492,000 (35¢ per share) realized from the sale of certain properties which are no longer required in the company's operations. The reduction in earnings from operations reflects the failure of selling prices to recover the cost increases which were encountered during the year.

Sales of \$52,251,047 were \$1,682,934 or 3.3% greater than the sales for the previous year. The annual growth pattern of our sales volume continued during the year although at a lower rate than in recent years.

We were successful in packing our estimated marketing requirements for our major seasonal items during the 1966 packing period and our year end inventories of \$24,942,348, which are \$2,835,219 more than a year ago, will provide us with a well balanced supply of products until the 1967 packing season.

Capital expenditures during the year amounting to \$2,039,103 were principally for mechanization and modernization of both field and plant operations. The shortage in recent years of available seasonal labour for field and plant operations has required our company to make substantial expenditures for mechanical equipment and housing for seasonal workers.

Depreciation of \$1,171,697 has been provided on buildings and equipment at rates based on the expected economic life of these assets. Maximum capital cost allowance has been claimed in determining the provision for income taxes. This is a continuation of the practice followed in prior years and reflects a reduction in income taxes of \$444,000 compared with \$360,000 for the prior year.

Dividends

Dividends of 75¢ per share were paid on the class A shares during the year ended February 28, 1967. No dividends have been paid on the class

B shares, substantially all of which are owned by California Packing Corporation, since date of issue October 1, 1956. The class B shares are entitled to dividends accumulating from date of issue at the rate of 75¢ per share per annum and aggregate unpaid dividends on the class B shares amounted to \$7,198,000 at January 1, 1967.

Marketing

A sharpening of competitive activities took place in 1966 and resulted in a continuing profit squeeze within the food industry.

Sales of our featured AYLMEER and DEL MONTE brands were supported by aggressive advertising and sales promotion campaigns. During the last year television has been used extensively in promoting our volume lines to the consumers and these campaigns are meeting with good distributor and consumer acceptance. We also offered to the trade major spring and fall promotions for AYLMEER and DEL MONTE products. In 1966 a completely new approach was taken in our soup advertising by the use of television personalities. We were bidding for a strong consumer reaction to our advertising and to the brand and the results have been favourable.

The HENLEY brand of fruit products distributed by our subsidiary, Boese Foods Limited, continued to expand with increasing distribution.

The past year has been an unsatisfactory one for the jam industry due to certain processors in the industry attempting to gain market share or move excess production at distressed prices.

Export sales are being maintained. The cost of Canadian produce, together with growing trade restrictions, limits our sales volume to a relatively small yet quality conscious segment within the main export markets of the United Kingdom, the West Indies and West Germany.

Production

The 1966 packing season was a most difficult one. Production costs were considerably higher due to increased costs for raw produce, labour, containers and other supplies. We encountered a serious shortage of seasonal labour which was

partially overcome by further mechanization of our harvesting and production facilities. However, it was necessary to import seasonal workers into certain of our Ontario production areas. The construction of labour camps to house these seasonal workers added an additional cost to our operations.

Present indications are for a continuation of these conditions in the 1967 packing period. Seasonal workers will be in short supply particularly for the harvesting and processing of tomatoes and orchard fruits. Growers, processors and government agencies are collaborating again this year in attempting to meet the 1967 labour requirements.

Agricultural Research has over the years developed varieties of vegetables producing higher yields that are adaptable to mechanical harvesting and processing. A variety of tomato has recently been developed in California which can be harvested successfully by mechanical methods. Our industry is exerting maximum efforts to develop a similar tomato variety which can be grown in Canada. The future of the tomato processing industry can only be assured by the development of this type of tomato.

Fruit Imports

Tree fruit products, particularly peaches, pears and fruit cocktail, are being imported into Canada at prices which are below the cost of Canadian packed products. During the last 3 years an increasing quantity of these products has been imported into Canada from Australia at a low duty rate compared to other countries. Investigation has indicated that funds collected as a tax on the sales of these products within Australia have been used to pay for the promotion of these products in Canada. Canadian processors and growers consider this competition grossly unfair and it jeopardizes the future of the Canadian tree fruit industry. A brief on this problem, for presentation to Federal Government authorities, is being prepared by a special committee of growers and processors. Some changes will have to be made to permit the Canadian processing industry to continue to produce Canadian tree fruit products using Canadian labour, containers and supplies.

Food Prices

Our company and three other fruit and vegetable processing companies last November appeared, by

request, before the Special Joint Committee of the Senate and House of Commons on Consumer Credit (Prices). We believe it was firmly established at these meetings with the Special Committee that the price of canned food products has not really been a contributor to the increase in the consumer price index and that the portion of the consumers' disposable income spent on food has shown a steady decline. It was also clearly established that canned food processing operations yield a low profit margin.

It is now recognized that the costs of our products will be substantially increased during the coming packing season because of increased produce, labour, fringe benefit, container and other costs. Higher selling prices will therefore be necessary if the processor is to realize any margin from 1967 operations.

The Pyramid Cannery Limited

In January 1967 negotiations were concluded for the purchase of the outstanding capital stock of The Pyramid Cannery Limited, a tomato and potato processing company, with a modern plant located in Leamington, Ontario. This operation provides us with additional tomato product processing capacity and will play an important part in our immediate and long range production program. Sales and earnings of Pyramid since date of acquisition are included in the consolidated figures for this year. We will continue to distribute, under the established SEACLIFF label, products packed by Pyramid.

★ ★ ★

This is Canada's Centennial year and we are proud that over 64 of these 100 years Canadian Cannery Limited and its employees have contributed to the development of our nation.

Your directors express their appreciation to our management and employees for their continued support and diligent efforts during the past year.

On behalf of the Board of Directors,

J. E. Countryman,
Chairman.

L. H. Johnston,
President.

Hamilton, Ontario,
April 28, 1967.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at February 28, 1967

	<u>1967</u>	<u>1966</u>
Current Assets		
Cash	\$ 13,617	\$ 6,166
Accounts receivable	5,535,841	5,089,712
Inventories of merchandise, materials and supplies valued at lower of cost or market	24,942,348	22,107,129
Costs allocable to future operations	773,415	753,575
	<u>31,265,221</u>	<u>27,956,582</u>
Current Liabilities		
Bank and other advances	9,480,631	6,200,199
Accounts payable and accruals	4,138,796	3,959,002
Income and other taxes payable	226,068	982,171
Payments due within one year on long-term debt	485,200	315,000
	<u>14,330,695</u>	<u>11,456,372</u>
Working Capital	16,934,526	16,500,210
Fixed Assets (details on opposite page)	15,461,469	14,279,572
Other Assets (details on opposite page)	4,562,551	3,242,620
	<u>36,958,546</u>	<u>34,022,402</u>
Deduct: Long-term debt (details on opposite page)	5,804,602	4,625,000
Shareholders' Equity	<u>\$31,153,944</u>	<u>\$29,397,402</u>
Represented by:		
Capital stock (details on opposite page) (Note 2)	6,296,527	6,296,527
Earnings retained and used in business	24,857,417	23,100,875
Approved on behalf of the Board		
J. E. Countryman, Director	<u>\$31,153,944</u>	<u>\$29,397,402</u>
L. H. Johnston, Director		

CANADIAN CANNERS LIMITED AND SUBSIDIARY COMPANIES

DETAILS OF ITEMS IN ACCOUNTS

	<u>1967</u>	<u>1966</u>
Fixed Assets		
Land, buildings, plant and equipment, based chiefly on appraised sound values as reported by Canadian Appraisal Company, Limited, in 1923, plus subsequent additions at cost	\$33,138,147	\$31,515,382
Less — Accumulated depreciation	17,676,678	17,235,810
	<u>\$15,461,469</u>	<u>\$14,279,572</u>
Other Assets		
Mortgages and other long-term receivables	\$ 1,319,931	\$ —
Intangibles — brand names, trade marks, patents, processes, goodwill, etc.	3,242,620	3,242,620
	<u>\$ 4,562,551</u>	<u>\$ 3,242,620</u>
Long-Term Debt (exclusive of payments due within one year)		
Sinking fund debentures:		
3¾ % maturing January 15, 1970	\$ 1,850,000	\$ 2,025,000
5% maturing June 15, 1973	2,460,000	2,600,000
Mortgage and notes of Subsidiary Company payable by installments to 1977 (a)	1,494,602	—
	<u>\$ 5,804,602</u>	<u>\$ 4,625,000</u>
(a) Mortgage and notes of The Pyramid Canners Limited (subsidiary company acquired during the current year) which were outstanding prior to acquisition by Canadian Canners Limited.		
Capital Stock		
Class A common shares without nominal or par value		
Authorized — 1,000,000		
Issued — 468,137	\$ 2,098,842	\$ 2,098,842
Class B common shares without nominal or par value		
Authorized — 2,000,000		
Issued — 936,274	4,197,685	4,197,685
	<u>\$ 6,296,527</u>	<u>\$ 6,296,527</u>

CONSOLIDATED STATEMENT OF EARNINGS and Earnings Retained and Used in Business

for the year ended February 28, 1967

	<u>1967</u>	<u>1966</u>
Sales and operating revenues	<u>\$52,251,047</u>	<u>\$50,568,113</u>
Costs and Expenses		
Costs and expenses, excluding items listed below	48,384,592	45,396,514
Depreciation	1,171,697	1,093,431
Debenture interest	210,450	223,218
Directors' salaries and fees	93,666	99,064
Income taxes (Note 1)	<u>775,000</u>	<u>1,600,000</u>
	<u>50,635,405</u>	<u>48,412,227</u>
Earnings from operations	1,615,642	2,155,886
Gain on sale of properties	492,003	—
Earnings for year	<u>2,107,645</u>	<u>2,155,886</u>
Earnings retained, beginning of year	<u>23,100,875</u>	<u>21,296,092</u>
	25,208,520	23,451,978
Dividends on Class A common shares	351,103	351,103
Earnings retained, end of year	<u><u>\$24,857,417</u></u>	<u><u>\$23,100,875</u></u>

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

for the year ended February 28, 1967

Source of Funds

Earnings for the year	\$ 2,107,645	
Depreciation — not requiring outlay of funds	1,171,697	
Disposal of fixed assets	903,472	
Long-term debt of Subsidiary Company acquired	<u>1,494,602</u>	\$ 5,677,416

Use of Funds

Investment in fixed assets (including those acquired with Subsidiary Company)	3,257,066	
Mortgages and other long-term receivables	1,319,931	
Dividends on Class A shares	351,103	
Debentures redeemed	<u>315,000</u>	<u>5,243,100</u>

Increase in Working Capital

434,316

Arising as follows:

Increase in cash	7,451
Increase in accounts receivable	446,129
Increase in inventories	2,835,219
Increase in costs allocable to future operations	19,840
Decrease in current liabilities (other than bank)	<u>406,109</u>
	3,714,748
Less: Increase in bank and other advances	<u>3,280,432</u>
	<u>\$ 434,316</u>

Working Capital at beginning of year 16,500,210Working Capital at end of year \$16,934,526

NOTES TO FINANCIAL STATEMENTS

1.—The companies have followed the practice for a number of years of claiming for income tax purposes maximum capital cost allowances which are in excess of depreciation recorded in the accounts. For the year ended February 28, 1967, such claims have resulted in a reduction of \$444,000 in income taxes otherwise payable. The cumulative amount by which income taxes have thus been reduced is approximately \$3,016,000.

2.—The holders of Class A Common Shares are entitled to cumulative cash dividends at the rate of 75¢ per share per annum in priority to any dividends on the Class B Common Shares and dividends at the rate of 75¢ per share have been paid on the Class A Common Shares up to January 1, 1967. Subject to the prior rights of the Class A Common Shares, the holders of Class B Common Shares are entitled to cash dividends accumulating from the date of issue on October 1, 1956 at the rate of 75¢ per share per annum and the aggregate unpaid dividends on Class B Common Shares amount to \$7,198,000 at January 1, 1967. After the Class B Common Shares have received payment of all accumulated dividends, Class A and B Common Shares share equally in any dividends in excess of 75¢ per share per annum.

AUDITORS' REPORT

To the Shareholders of
Canadian Cannery Limited:

We have examined the consolidated statement of financial position of Canadian Cannery Limited and its subsidiary companies as at February 28, 1967 and the consolidated statements of earnings and earnings retained and used in business and source and use of funds for the year then ended. Our examination was made in conformity with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

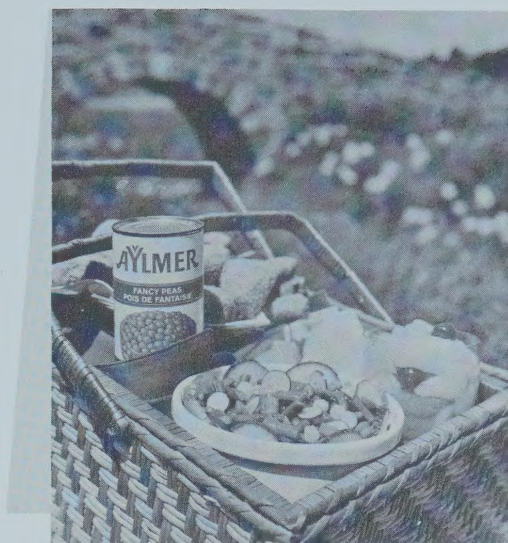
In our opinion, these consolidated statements present fairly the financial position of the companies as at February 28, 1967 and the results of their operations and the source and use of their funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Hamilton, April 28, 1967.

Price Waterhouse & Co.,
Chartered Accountants.



**HUMMING DAYS AHEAD FOR A
GAY DEL MONTE GARDEN SHOW!**



LET'S GO ON A

1867-1967
CENTENNIAL PICNIC

WITH AYLMER FOODS



